

Greater Pittsburgh



www.acfe-pgh.org

The Greater Pittsburgh Area Chapter (GPAC) of the Association of Certified Fraud Examiners Newsletter. This newsletter is sent to members of the Greater Pittsburgh Area Chapter to keep them informed of events and happenings related to the Chapter.

February Program Highlights: Richard Andracki; What you should and shouldn't include in an Insurance Report

The speaker for February was Attorney Richard Andracki of the Andracki Law Firm. Mr. Andracki asked the group, "How is what you do, play out in court".

In general, information in a report that is used for criminal or civil court should exhibit the following characteristics.

1. The report should be detailed. The report should explain the circumstantial evidence and the chain of custody. The detail should meet the burden of proof. Is the evidence clear and concise?
2. The report should be precise.
3. The report should be written in an objective manner. Do not draw conclusions.
4. Remember, the defense attorney will get a copy of the report. Spelling and grammatical errors will be attacked in a courtroom. Don't show blood lust for subject.

Mr. Andracki talked about false statements in an insurance claim. Proving that an individual has made a false statement in an insurance claim can be difficult because a jury will want to give the benefit of the doubt to the claimant. If you can show that the claimant lied by showing proof that the claimant's statements could not possibly be true, you can sway the jury.

Mr. Andracki explained that you can't use law enforcement as leverage against paying an insurance claim. Don't hinge eligibility of claim on criminal investigation.

In studying punitive damages against insurance companies, one

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factor really made juries med – delaying the claim payment decision.

Mr. Andracki closed by stating that a bad deposition can ruin a fraud case. Your counsel should prep you and go over everything. Be prepared and be judicious with your comments. Remember the CFE Code of Ethics; make no expression of opinion concerning guilt or innocence.

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Calendar of Upcoming Events

March 14, 2007

Federal Bureau of Investigation
Economic Espionage

April 11, 2007

To Be Announced

May 9, 2007

To Be Announced

Web Site for the Investigator: AICPA Antifraud & Corporate Responsibility Center

<http://antifraud.aicpa.org/>

Some of the biggest challenges facing business today are re-establishing confidence among investors, promoting ethics and integrity in the workplace, and establishing clarity in reporting procedures. This resource center will give you the tools and information you need to combat fraud—whatever your role in the business community.

Visit the [Resources](#) tab to access guidance tailored specifically to you, whether you are an auditor, a consultant, an educator, or in business and industry. Visit the [Products](#) tab for a full array of publications and CPE courses pertinent to the antifraud related activities.

18th Annual ACFE Fraud Conference and Exhibition

Orlando, FL • July 15-20, 2007
Disney's Coronado Springs Resort
www.FraudConference.com

Join more than 2,000 professionals and attend the largest-ever anti-fraud event in the world – the 18th Annual ACFE Fraud Conference & Exhibition, July 15-20 in Orlando. The ACFE's flagship conference brings renowned speakers, leading anti-fraud experts, worldwide practitioners and exhibitors to share anti-fraud knowledge and resources.



March Presentation: Economic Espionage, Federal Bureau of Investigation

The speaker for the March meeting is to be determined, however, the presentation will be conducted by a representative of the Pittsburgh office of the Federal Bureau of Investigation.

Economic Espionage is a practice of obtaining information about an organization that is considered secret or confidential without the permission of the holder of the information. Unlike other forms of intelligence work, espionage involves accessing the place where the desired information is stored, or accessing the people who know the information and will divulge it through some kind of subterfuge.

Recently, federal authorities accused Joya Williams, a Coke employee, and two others of stealing guarded information and a sample of the confidential beverage. In May, the suspects sent a letter to Pepsi's New York headquarters offering to sell the trade secret. Pepsi officials immediately notified Coke of the breach; in turn, Coke executives contacted the FBI and a sting operation was put into play.

This is only one example of economic espionage. Of greater concerns to the FBI is espionage of military grade software and technology.

Please join us for this interesting and relevant presentation.

Ritchie-Jennings Memorial Scholarship

The ACFE Foundation is pleased to award a number of scholarships to support the education of collegiate accounting and criminal justice students around the globe. Thirty \$1,000 scholarships and one-year Student Associate memberships will be awarded through the Ritchie-Jennings Memorial Scholarship program this year.

The Greater Pittsburgh Chapter of Certified Fraud Examiners is looking for qualified full-time college students interested in applying for a scholarship. Please contact a Chapter officer for details.

Fraud Fact: Organizing Information

Because of the amount of information and number of documents that might be collected during a fraud examination, the examiner should plan early and plan well. If circumstances permit, an information database should be established in the early phases of the case. Report information can be presented either in chronological order or by transaction.

The Fraud Examiner's Manual 2003 Edition

The Greater Pittsburgh Chapter Library

Title

2003 Edition of the Encyclopedia of Fraud (cd)
2003 Edition of the Fraud Examiners Manual (cd)
Auditing Accounts Receivable for Fraud
Conducting Internal Investigations
Contract and Procurement Fraud (CD Rom)
Cooking the Books – Video/workbook
Fraud Related Internal Controls
How Fraud Hurts You and Your Organization (cd)
Interviewing and Interrogation (book by Don Rabon)
Investigating Fraudulent Financial Transactions (2 CD-Rom set)
Statement Analysis (CD Rom)
The Computer and Internet Fraud Manual

Status

In
In
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Fraud Fact: Accounts Receivable

Accounts receivable is subject to manipulation in the same manner as sales and inventory and, in many cases, the schemes are conducted together. The two most common schemes involving accounts receivable are fictitious receivables and failure to write down accounts receivable as bad debts (or failure to establish adequate reserves for the future collectibility problems). Accounts receivable should be held at a net realized value. That is, the amount of the receivable less amounts expected not to be collected.

Fraud Examiner's Manual 2003 Edition

Job Postings

Clinical Audit Analyst UPMC Health Plan

The clinical auditor/analyst is an integral part of the Fraud & Abuse unit, and is responsible for conducting the clinical review and analysis of care and services related to clinical guidelines, coding requirements, regulatory requirements, and resource utilization. The clinical auditor/analyst supports internal auditing review results when a clinical review is warranted. Other responsibilities include, but are not limited to: supporting quality improvement and medical management focused reviews, line of business focused reviews, and ad hoc reviews as needed; working in collaboration with appropriate health plan departments and network providers/physicians, and providing trending, analysis and reporting of auditing data. Two years of clinical experience, and two years of claims processing, fraud and abuse, quality review, or chart auditing experience are required. An in-depth knowledge of medical terminology, ICD-9 and CPT-4 coding, along with the ability to analyze data, and organize multiple projects and tasks. A current PA licensure as an RN is also required.

www.upmc.com; click on Careers at UPMC, search openings, and enter 1012325 in the job opening ID field.

The Use of Rationalization During An Interrogation Theme Jan-Feb, 2007

Two conditions must be satisfied before a person decides to commit a crime. The first is that the individual must believe that he or she will not be punished for the crime. For example, no sane person would set their neighbor's house on fire or download pornography on a company computer if they knew that they would suffer consequences for their actions. However, ninety percent of society would never sell illegal drugs, steal a car or sexually molest a child even if they were guaranteed to get away with the crime. Therefore, a second condition must also be met which is that the person must be able to justify the criminal behavior in some manner.

The difference between people who commit crimes or violate company policies and those who do not is that the former believe that their dishonest behavior is justified. This is done by cognitively distorting reality. By doing so, the individual does not experience significant guilt or anxiety as a result of their criminal behavior. Anna Freud coined the phrase "defense mechanism" to describe this mental process. In our experience, there are several predominant defense mechanisms guilty suspects employ to justify their criminal behavior.

Many criminals utilize *projection* to place blame for their own actions onto someone or something else, e.g., the victim, an accomplice, low salary, unfair treatment, intoxication. A criminal may also reduce their feeling of guilt through *minimization* by convincing themselves that what they did could have been much worse, e.g., "I only took \$50,000 – If I were dishonest I could have easily embezzled \$100,000." Most criminals form a false belief that many others share their dishonest attitudes (*identification*) and may also engage in *denial*, where they convince themselves that there is no injury to the victim, e.g., "The company can afford the loss"; "The child was not physically injured." Finally, there are individuals who justify their criminal behavior by psychologically distorting the true intention behind their crime. e.g., "I didn't mean to steal the money; I just wanted to borrow it." This defense mechanism is called *rationalization*.

Interrogation techniques rely on the fact that guilty suspects utilize defense mechanisms to justify their crimes. In an effort to create an environment in which a guilty suspect feels more comfortable telling the truth, the interrogator will reinforce the defense mechanisms that already exist in the suspect's mind. This is done by presenting a persuasive monologue called an *interrogation theme*.

Consider that an employee is being interrogated on the issue of stealing a \$2,000 deposit from the manager's office. During his interrogation the investigator may develop a theme that blames the employee's decision to take the deposit on the company's failure to pay him an adequate salary or for the manager's negligence for not securing the deposit (projection). The employee may experience further moral relief when the investigator explains that if the employee was truly dishonest he would have stolen money the first week he was hired or stolen other deposits from the company (minimization).

For a guilty suspect to relate to an interrogation theme, the justifications offered by the investigator must be similar to how the suspect himself justified the crime. Furthermore, the theme should not provide the suspect with a legal defense for his criminal behavior. For both of these reasons, the investigator must be cautious in using themes which reinforce the defense mechanism of rationalization.

An example of an inappropriate rationalization theme in the previous theft case would be for the investigator to describe a scenario where the employee took the \$2,000 believing that it was a cash advance for an upcoming business trip. Considering the money was clearly in a deposit bag sitting on top of the manager's desk and that the employee has never received a cash advance of more than \$100, it is implausible that he would have justified his theft by distorting reality in this manner. Furthermore, this particular rationalization theme is improper because it offers the employee a legal defense since it removes the necessary element of wrongful intent, i.e., taking money that the employee knew belonged to the company.

However, there are many occasions where guilty suspects do use rationalization to justify their criminal behavior and where the investigator can appropriately use a theme that incorporates rationalization. The following guidelines are offered to help identify whether a particular suspect may have used the defense mechanism of rationalization to justify his crime:

1. *Suspects who are essentially caught in the act of committing the crime.* A male nurse at a convalescent center was caught on video tape having sexual contact with an 18-year-old comatose female patient. After being shown the tape he explained that he engaged in the activity merely in an effort to stimulate the patient out of her coma.
2. *Suspects who commit spontaneous or opportunistic crimes.* A suspect who takes days or weeks to carefully plan out exactly how to commit a crime is unlikely to have justified his dishonest behavior through rationalization. However, a suspect who commits a crime on the spur of the moment may well have rationalized it. Consider a driver of a vehicle who strikes a pedestrian and leaves the scene because he was drinking and did not want to be charged with DUI. In his mind, he may well convince himself that he left the scene in an effort to get help.
3. *Suspects who are facing significant personal consequences of embarrassment, loss of pride or esteem.* To restore the suspect's self-worth this type of offender is likely to have rationalized his criminal behavior. A classic example is the child molester who simply does not recognize that he engages in sexual contact with children to elevate his own self-worth. Very often, pedophiles perceive their sexual contact with children as showing love and affection.
4. *Suspects who offer judgmental denials.* Consider the suspect who is asked, "How do you feel about being interviewed concerning this allegation against you?" and responds, "I feel fine because I know I didn't do anything wrong." This suspect is not denying committing the crime. Rather he is denying wrongful intent behind his actions. A similar judgmental denial is a statement where the suspect claims he is "innocent" of committing the crime. For example, a suspect may explain that he is "innocent of robbing the victim." Under this circumstance the investigator should consider the possibility that the suspect believed the victim owed him the money that was stolen during the robbery.

The recommendation that an interrogation theme should not present the suspect with a legal defense is offered to guard against claims that the theme somehow offered the suspect an implied promise of leniency. This concern is not based on court rulings or empirical findings in the field. Rather, it is in response to the theoretical argument that if a theme offers a legal defense for the suspect's crime, it may then be perceived as removing any consequences if the suspect chooses to confess to the crime. The

following list is offered to help investigators understand the sometimes subtle distinction between themes that may offer a legal defense and those that do not.

Examples Of Rationalization Themes That Do Or Do Not

Offer A Possible Legal Defense

Arson

Possible defense: You were smoking in the area and one of your cigarettes accidentally started the fire

No defense: Your original intention was just to cause smoke damage; you started the fire to scare your neighbor to see how he would react; you started the fire to prove that the fire department's response time is too slow.

Child physical abuse:

Possible defense: You accidentally burned your child with the cigarette; you were playing catch with your child and you threw the ball too hard and bruised him.

No defense: You just wanted to teach the child a lesson; you wanted to toughen up your son so he would not be pushed around when he was older.

Child sexual abuse:

Possible defense: You were wrestling with your daughter and accidentally put your hand down her panties

No defense: You touched her there to show her love and affection; you touched her out of curiosity to see how she would react.

Hit and run:

Possible defense: You thought your car struck a deer so you didn't stop.

No defense: You left the scene to get help; you thought the pedestrian wasn't seriously injured.

Homicide

Possible defense: you thought the victim had a weapon and you killed him in self defense; the child slipped out of your hands and struck its head on the floor; you were just fooling around with the gun and didn't know it was loaded.

No defense: You killed her to put her out of her misery; you only intended to cut her slightly with the knife; you only intended to wound him in the shoulder but your aim was off; you only shook the child to get him to stop crying.

Rape

Possible defense: The knife was already near the bed and you held it in your hand while you were having sex so she wouldn't get accidentally cut.

No defense: You pointed the knife at her just to scare her initially – you never would have actually used it to cut her.

In conclusion, individuals who commit crimes often reduce the anxiety and guilt associated with the crime by utilizing defense mechanisms. A suspect who employs the defense mechanism of rationalization re-describes the original intention of his behavior. There are certain characteristics which suggest that a suspect may have justified his criminal behavior through rationalization. When an investigator incorporates rationalization within an interrogation theme, he should avoid describing a scenario which could offer the suspect a legal defense for engaging in the criminal behavior.

We look forward to seeing you at future Chapter events!